

# ***BASIS OF ACCOUNTING, FUND STRUCTURE, AND BASIS OF BUDGETING***

## **FUND ACCOUNTING**

The accounts of the county and its component units (Chesterfield County Public School System and Chesterfield Health Center Commission) are organized on the basis of funds and account groups. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. For government-wide reporting, the activities of the county are reported as governmental activities or business-type activities with component unit information being reported in separate rows/columns.

## **BASIS OF ACCOUNTING**

The accounting records of the county are maintained on the modified accrual basis of accounting for the General Fund, Special Revenue Funds, Capital Projects Fund, Expendable Trust Funds, Agency Funds, and on the accrual basis of accounting for the Enterprise Funds, the Internal Service Funds, the Non-expendable Trust Funds, and the Pension Trust Funds.

In general, under the modified accrual basis of accounting, revenues are recorded as received in cash or if both measurable and available within 45 days to finance current year appropriations. Expenditures are recorded in the periods in which the liability is incurred. Generally, revenues are considered available only if the monies will be received within forty-five days after the end of the accounting period and are due on or before the last day of the accounting period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recorded when due.

In applying the accrual concept to revenues, the legal and contractual requirements of the individual programs are used as guidance. Certain revenues must be expended for a specific purpose and others are virtually unrestricted as to purpose of expenditure.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred without regard to receipts or disbursements of cash. Unbilled accounts receivable are accrued when earned in the Enterprise Funds.

## **GOVERNMENT FUND TYPES**

Governmental Funds are those through which most governmental functions of the county and school board are financed. All expendable financial resources and the related liabilities are accounted for through governmental funds. Such information is useful in assessing the county's financing requirements. The five following governmental funds are maintained by the county.

### **General Fund:**

The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditure. The general fund includes most traditional local government programs such as Police, Fire, Libraries, and Parks.

### **Special Revenue Funds:**

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. These funds include comprehensive services, schools, grants, and capital projects.

**Comprehensive Services:** This fund reflects revenues and expenditures associated with providing child centered, family focused, and locally based services for at-risk youth. The revenue sources are transfers from Schools, Social Services, General Fund, reimbursements from the City of Colonial Heights, and state aid. Major expenditures are for the purchase of services for clients.

**School Fund:** This fund reflects revenues and expenditures related to the operations of the county's public school system. The primary sources of revenue, exclusive of transfers from the General Fund, are basic

# ***BASIS OF ACCOUNTING, FUND STRUCTURE AND BASIS OF BUDGETING***

school aid payments from the Commonwealth and educational program grants. Major expenditures include instructional costs, fixed charges and debt service requirements for school's long-term indebtedness.

Grants Fund: This fund reflects revenues and expenditures related principally to the federal government's Community Development Block Grant, the Virginia Juvenile Crime Control Act, the Community Corrections and Supervision Grant, the Intermodal Surface Transportation Efficiency Act (ISTEA), and other federal and state grant programs.

## **Capital Projects Fund:**

Capital Projects Funds are used to account for financial resources used for the acquisition, design, development, and/or construction of major capital facilities (other than those financed by Proprietary Funds).

## **PROPRIETARY FUND TYPES**

Proprietary Funds are used to account for the county's on-going organizations and activities, which are similar to those often found in the private sector. The services provided in these funds are intended to recover all or a significant portion of their costs through user fees. The following are the county's proprietary fund types:

## **Enterprise Funds:**

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public, on a continuing basis, be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The county does not budget depreciation expenses in enterprise funds although it is recorded and reported in the annual financial report. Enterprise funds include the Airport and Utilities.

Airport: This fund accounts for the operations of the County Airport. The daily service functions of the Airport are handled by a fixed based operator (FBO).

The FBO maintains a contract with the county for rental of building and hangar space, which in turn provides a significant portion of the Airport's revenues. The county retains responsibility for all federally and state funded improvement projects. The Airport's major expenditures consist of salaries and wages, maintenance, debt and depreciation. Debt service on certificates of participation issued to construct facilities is accounted for through the Airport Fund.

Water Fund: This fund accounts for the operation, maintenance and construction of the county's water system. Charges for service represent the major source of operating revenue. Salaries and wages, contractual services, and depreciation are the major expenditures of the fund.

Wastewater Fund: This fund accounts for the operation, maintenance and construction of the county's sewer system. The fund's major source of operating revenue is charges for service. The major expenses consist of salaries and wages, depreciation and interest.

## **Internal Service Funds:**

Internal Service funds are used to account for the costs of operations for services provided to other county departments. Revenue is derived from charges on a cost-reimbursement basis.

Construction Management: This fund reflects the operations of the county's construction management function. The fund's major source of revenue is charges for services provided in coordinating and supervising all county building construction projects. Major expenses consist primarily of salaries, wages, supplies and materials, and rent.

Vehicle and Communications Maintenance Fund: This fund reflects operations of the county's garage and radio shop which maintain the vehicles and communications equipment. Revenues are derived from inter-fund charges and charges to the school board on a cost-reimbursement basis. The major expenditures consist primarily of salaries and wages, materials and supplies, software maintenance, and the purchase of replacement vehicles.

# ***BASIS OF ACCOUNTING, FUND STRUCTURE, AND BASIS OF BUDGETING***

Risk Management Fund: This fund reflects the operations of the county's risk management function. The fund provides protection from losses of property, casualty, and liability claims for the county and school board. This fund also administers oversight of building security and environmental management issues. Charges for services of providing risk financing and recoveries are the major source of revenue for this fund. Major expenditures consist of re-insurance costs and claims.

## **FIXED ASSETS, CAPITALIZATION AND DEPRECIATION**

The standard for capitalization of tangible property is \$5,000 or more per unit with an expected useful life greater than one year. Fixed assets consisting of certain improvements other than buildings (including roads, bridges, curbs, lighting systems, etc.) are not capitalized. Such assets are considered immovable and only of value to the county.

Depreciation is provided over estimated useful lives of assets using the straight-line method. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and the gains or losses are reflected on the income statement currently. Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations and accumulated depreciation is reported in Proprietary Fund balance sheets.

## **BASIS OF BUDGETING**

Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles, applicable to governmental units except for depreciation in the Enterprise Funds. Budgeted amounts reflected in the financial statement are as originally

adopted or as amended by the Board of Supervisors or County Administrator.

Prior to May 1, the County Board adopts the budget by resolution and funds are appropriated generally at the function level for the General Fund, at the fund level for the Comprehensive Services Fund, and at the major category of expenditures for the School Operating Fund, through passage of an appropriation resolution.

Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds. Budgets are legally adopted annually for the County's General Fund, the Comprehensive Services Fund and the School Operating Fund.

A budget is adopted for each grant or project in the Grants Fund, the Special Revenue Fund, or the County Capital Projects Fund. In the School Capital Projects Fund, projects are appropriated in total for each fiscal year. The budget resolution specifies that the budget and appropriation for each grant or project continue until the expiration of the grant or completion of the project. All other appropriations lapse at year-end. Budgets for these grants and projects are not included herein since they are not legally adopted annually. The level of control at which expenditures may not legally exceed appropriations is at the individual grant or project in the Grants Fund and County Capital Projects Fund and at the total appropriation level for each fiscal year in the School Capital Projects Fund.

The following chart illustrates the structure of county funds.

## STRUCTURE OF COUNTY FUNDS

### Governmental

#### **General Fund**

*Revenue Sources:*  
Taxes, Fines,  
Interest, Service  
Charges, State,  
Federal, Reserves

#### **Comprehensive Services Fund**

*Revenue Sources:*  
Transfer from  
General Fund,  
Schools, Social  
Services, State

#### **School Fund**

*Revenue Sources:*  
Transfer from  
General Fund,  
State, Federal

#### **Grants Fund**

*Revenue Sources:*  
Transfer from  
General Fund,  
State, Federal

#### **Capital Projects Fund**

*Revenue Sources:*  
Transfer from  
General Fund,  
Bonds, Lease Pur-  
chase, State, Federal

### Internal Services

#### **Vehicle and Communications Maintenance**

#### **Risk Management**

#### **Construction Management**

*Revenue Sources:*

User Fees from  
Departments

### Enterprise

#### **Utilities Fund (Water and Sewer) Airport**

*Revenue Sources:*  
User Fees

**KEY:**  
..... User Fees  
\_\_\_ Transfers

